

Message Text

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ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
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R 070518Z APR 78
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 5315
INFO AMEMBASSY CANBERRA
AMEMBASSY MOSCOW
AMEMBASSY PORT MORESBY
AMEMBASSY SEOUL
AMEMBASSY SUVA
AMEMBASSY TOKYO
CINCPAC HONOLULU

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CINCPAC FOR POLAD

E.O. 11652: N/A
TAGS: ETRD, NZ, JP
SUBJECT: NEW ZEALAND REMAINS FIRM IN ITS TRADE DISPUTE
- WITH JAPAN

REF: WELLINGTON 1290

1. BEGIN SUMMARY: WHILE MAINTAINING ITS FIRM POSITION
TOWARD JAPAN IN LINKING ACCESS TO NEW ZEALAND FISHING
RESOURCES TO IMPROVED ACCESS TO THE JAPANESE MARKET,
THE GOVERNMENT OF NEW ZEALAND (GNZ) HAS GONE TO SOME
PAINS IN THE LAST FEW WEEKS TO ASSURE TOKYO OF ITS
WILLINGNESS TO KEEP TALKING. MAJOR SPEECHES BY THE
TRADE AND INDUSTRY AND FOREIGN MINISTERS HAVE
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EMPHASIZED THESE POINTS. LACK OF JAPANESE RESPONSE
TO NEW ZEALAND REQUESTS OVER TWENTY-FIVE YEARS MADE
THE PRESENT PROBLEM UNAVOIDABLE. WHILE JAPAN WAS
EXCLUDED FROM THE 200-MILE ECONOMIC ZONE ON APRIL 1,
THE GNZ HAS TEMPORARILY RESERVED A FISHING ALLOCATION
FOR JAPAN AND WILL NOT PROHIBIT PRESENT JAPANESE
JOINT-VENTURE OPERATIONS WITH NEW ZEALAND FIRMS. END

SUMMARY.

2. INAUGURATION OF NEW ZEALAND'S 200-MILE ECONOMIC ZONE AT THE BEGINNING OF THE MONTH AGAIN HIGHLIGHTED THE COUNTRY'S TRADE POLICY PROBLEMS WITH JAPAN IN WHICH THE GOVERNMENT OF NEW ZEALAND HAS LINKED JAPANESE ACCESS TO FISHING RESOURCES HERE WITH NEW ZEALAND ACCESS FOR AGRICULTURAL PRODUCTS IN THE JAPANESE MARKET. FOLLOWING PRIME MINISTER MULDOON'S EARLIER SALVO AGAINST THE JAPANESE (REFTEL), THE GOVERNMENT OF NEW ZEALAND NOW SEEMS TO BE MAKING AN EFFORT, WHILE STANDING FIRM ON THE BASIC ACCESS QUESTION, TO SIGNAL TO TOKYO THAT THE DOOR TO NEW ZEALAND FISH RESOURCES REMAINS OPEN, ALBEIT TEMPORARILY, SHOULD THE JAPANESE WISH TO RESUME CONVERSATIONS ON ALL THE KEY ISSUES INVOLVED.

3. ALMOST IMMEDIATELY FOLLOWING THE PRIME MINISTER'S HARD-HITTING MARCH 11 ADDRESS, THE GNZ SOUGHT TO BE SURE JAPAN APPRECIATED GNZ WILLINGNESS TO KEEP TALKING DESPITE PM MULDOON'S HARSH CRITICISMS. IN A MARCH 14 ADDRESS BEFORE THE JAPAN/NEW ZEALAND BUSINESSMEN'S COUNCIL, TRADE AND INDUSTRY MINISTER ADAMS-SCHNEIDER TOOK PAINS TO EMPHASIZE THAT THE GNZ HAD NOT "REJECTED" JAPANESE PROPOSALS TO SETTLE THE ISSUE BY AGREEING TO PURCHASE MODEST AMOUNTS OF N.Z. PRODUCTS FOR USE IN LIMITED OFFICIAL USE

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DOMESTIC AND OVERSEAS ASSISTANCE EFFORTS. RATHER IT WAS SIMPLY THAT THE GNZ DID NOT SEE HOW THESE PROPOSALS WOULD FUNDAMENTALLY IMPROVE ACCESS TO THE JAPANESE MARKET--THE MAIN ISSUE AROUND WHICH THE WHOLE DISCUSSION REVOLVED. JAPAN'S SINCERITY IN THE MATTER HAS NOT BEEN QUESTIONED BY THE GNZ, BUT IT WAS DIFFICULT FOR WELLINGTON TO KNOW WHAT TO DO GIVEN THE LACK OF JAPANESE RESPONSE TO SPECIFIC NEW ZEALAND REQUESTS ON BUTTER, SKIM MILK POWDER, MEAT AND TIMBER OVER THE YEARS.

4. THESE REMARKS WERE FOLLOWED ON APRIL 5 BY A MAJOR SPEECH BY FOREIGN MINISTER TALBOYS BEFORE THE NEW ZEALAND INSTITUTE OF INTERNATIONAL AFFAIRS. GIVEN "MORE IN SORROW THAN IN ANGER," THE REMARKS WERE ESSENTIALLY AN EXACT CHRONICLE OF A SERIES OF NEW ZEALAND REQUESTS TO JAPAN OVER A TWENTY-YEAR PERIOD JUXTAPOSED WITH AN EQUALLY LONG SERIES OF SEEMINGLY EVASIVE REPLIES OR SIMPLE SILENCE FROM TOKYO. AS EARLY AS 1962 THE THEN JAPANESE FOREIGN MINISTER KOSAKA TOLD THEN DEPUTY PRIME MINISTER MARSHALL THAT HE "WAS IN FULL AGREEMENT THAT IT WAS ONLY NATURAL THAT IF JAPAN EXPECTED NEW ZEALAND

TO BUY ITS GOODS, IT IN TURN SHOULD BUY NEW ZEALAND
PRODUCTS...'EVEN IF IT HURTS SOMEWHERE.'"

5. NEVERTHELESS, IN 1963 WHEN NEW ZEALAND MOVED TO
DEVELOP A GREATER MARKET FOR BUTTER AND MILK POWDER,
THE NEW ZEALANDERS WERE TOLD THAT SINCE "JAPANESE
DOMESTIC PRODUCTION COULD NOT MEET MORE THAN A SMALL
PART OF THE INEVITABLE INCREASE IN DEMAND FOR DAIRY
PRODUCTS AND OTHER HIGH-PROTEIN FOOD WHICH WOULD RESULT
FROM RISING INCOMES OF THE JAPANESE PEOPLE," ALL N.Z.
HAD TO DO WAS WAIT UNTIL SUCH DEMAND INCREASED. NOW,
FIFTEEN YEARS LATER, THANKS TO THE FACT THAT JAPANESE

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FM AMEMBASSY WELLINGTON
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DOMESTIC AGRICULTURAL POLICIES HAD CAUSED PRICES TO RISE
IN STEP OR EVEN AHEAD OF DEMAND, NEW ZEALAND IS STILL
WAITING AT THE DOOR. MR. TALBOYS THEN WENT ON TO DETAIL
A FURTHER RANGE OF REQUESTS TO THE JAPANESE ON SEVERAL
PRIMARY PRODUCTS OVER THE INTERVENING DECADE AND A HALF,
A PERIOD WHEN JAPAN'S OWN EXPORTS TO NEW ZEALAND
EXPANDED MARKEDLY.

6. THUS, GIVEN THIS COMPLETE LACK OF RESPONSE FROM JAPAN, TALBOYS SAID THE GNZ REALLY HAD NO CHOICE BUT TO ARGUE THE CASE PUBLICLY AND TO BE JUST AS HARD-HEADED IN PURSUING ITS INTERESTS AS THE JAPANESE HAD BEEN IN SAFEGUARDING THEIRS. THEN FOR THE FIRST TIME IN HIS ADDRESS TALBOYS MOVED TO ECHO THE EARLIER REMARKS

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OF THE PRIME MINISTER, SAYING:

"IT IS REGRETTABLE THAT IN THE AREA OF AGRICULTURAL TRADE, PARTICULARLY IN BUTTER, MILK POWDER, BEEF AND SAWN TIMBER PRODUCTS WHICH ARE OF CRITICAL IMPORTANCE TO THE BALANCED DEVELOPMENT OF OUR ECONOMY--JAPAN HAS BROUGHT TO BEAR A NARROW AND SELFISHLY INWARD-LOOKING INTERPRETATION OF ITS DOMESTIC INTERESTS. IT IS NOT AS THOUGH WE HAVE NOT RECOGNIZED THE NEED FOR JAPAN TO MAINTAIN AND DEVELOP ITS OWN AGRICULTURAL INDUSTRY. INDEED, WE HAVE SOUGHT TO CONTRIBUTE TO ITS DEVELOPMENT. WE HAVE ONLY ASKED THAT JAPAN AND OTHER INDUSTRIAL COUNTRIES PRACTICE IN AGRICULTURE WHAT THEY PREACH FOR INDUSTRIAL TRADE. IT IS ALSO A BITTER REALIZATION THAT, AS THE PRIME MINISTER RECENTLY SAID, JAPAN IS PREPARED TO MOVE TO ACCOMMODATE THE INTERESTS OF THE EUROPEAN COMMUNITY AND THE UNITED STATES BUT TAKES A MUCH HARDER LINE ON MATTERS OF IMPORTANCE TO SMALLER AND LESS POWERFUL NATIONS. I AM SURE THAT THIS IS ALSO A MATTER OF GRAVE CONCERN TO OTHER SMALLER COUNTRIES IN OUR ASIA-PACIFIC REGION WHO HAVE ALSO WORKED HARD TO BUILD CLOSE AND COOPERATIVE RELATIONS WITH JAPAN."

7. ALTERNATING TO A MORE CONCILIATORY TONE IN AN ATTEMPT TO KEEP LINES OPEN, TALBOYS EMPHASIZED THAT HE FELT IT UNLIKELY THAT THE CURRENT ROUND OF HARD TRADE POLICY NEGOTIATIONS WOULD THREATEN THE EXCELLENT BROAD RANGE OF RELATIONS THAT HAVE LINKED NEW ZEALAND AND JAPAN FOR THE PAST THIRTY YEARS. EVEN IN THE DIFFICULT TRADE AREA, NEW ZEALAND WAS TRYING TO BE AS FLEXIBLE

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AS IT COULD. AN ALLOCATION FOR JAPAN IN NEW ZEALAND'S 200-MILE ZONE HAD BEEN "TEMPORARILY" LEFT OPEN AND THE GNZ WAS DOING NOTHING TO INHIBIT JAPANESE FISHING

INTERESTS FROM WORKING WITH NEW ZEALAND FIRMS ON JOINT VENTURES. ON THE MAJOR ISSUE, HOWEVER, TALBOYS MADE IT CLEAR THAT THE GNZ WAS STANDING FIRM. FULL ACCESS TO NEW ZEALAND'S FISH WOULD ONLY BE POSSIBLE WITH BETTER AND MORE STABLE ACCESS FOR NEW ZEALAND'S PRODUCTS IN JAPAN.

8. FINALLY, IN A SEPARATE BUT RELATED EVENT, THE GNZ REJECTED PRESS REPORTS THAT THE GOVERNMENT PLANNED TO SEEK U.S. HELP IN SOLVING THE PRESENT IMPASSE WITH JAPAN. PRESENT DIPLOMATIC CHANNELS BETWEEN WELLINGTON AND TOKYO WERE FULLY ADEQUATE, SAID THE MINISTER OF FOREIGN AFFAIRS. THE JAPANESE FOREIGN MINISTRY ISSUED SIMILAR DENIALS.

9. COMMENT: IT SEEMS CLEAR THAT WITH THE COMING INTO FORCE OF THE 200-MILE ZONE ON APRIL 1 THE MOMENT OF TRUTH IN THE JAPANESE-NEW ZEALAND TRADE TALKS IS RAPIDLY APPROACHING. MUCH IS AT STAKE, NOT ONLY JAPAN'S DESIRE FOR NEW ZEALAND SQUID AND OTHER HIGH-PRICED FISH EAGERLY SOUGHT IN HOME FISH MARKETS, BUT NEW ZEALAND ITSELF RISKS HAMPERING ITS ALREADY NOT INSIGNIFICANT (\$406 MILLION IN 1977) EXPORTS TO JAPAN SHOULD TOKYO RETALIATE IN SOME FORM. NEVERTHELESS, IT IS ABUNDANTLY CLEAR THAT (AS MENTIONED REFTTEL) THE PRESENT GOVERNMENT'S BASIC POLICY OF FIRMNESS TOWARD JAPAN HAS THE BROAD SUPPORT OF POLITICIANS AND PUBLIC ALIKE; FOR ALTHOUGH THE OPPOSITION LABOR PARTY HAS CRITICIZED THE PRIME MINISTER'S STYLE, THEY ARE IN AGREEMENT WITH HIM THAT NEGOTIATIONS WITH JAPAN MUST BE ON THE BASIS OF A MEANINGFUL QUID PRO QUO. ALTHOUGH JAPAN IS NOW IN THE CENTER OF NEW ZEALAND ATTENTION, THERE IS A GROWING FRUSTRATION IN THIS COUNTRY AGAINST LIMITED OFFICIAL USE

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THE FULL RANGE OF RESTRICTIVE TRADE PRESSURES WHICH
N.Z. FACES IN A NUMBER OF MARKETS. THESE RESTRICTIONS
ARE ALL THE MORE GALLING TO GOVERNMENT LEADERS HERE AS
THEY COME FROM COUNTRIES WITH WHICH NEW ZEALAND FOUGHT
IN THE SECOND WORLD WAR OR WITH WHICH THE COUNTRY HAS
COOPERATED CLOSELY IN THE POSTWAR PERIOD. IT IS IN
THIS LIGHT AND AS JUST GOOD NEGOTIATING TACTICS THAT
THE ADAMS-SCHNEIDER AND TALBOYS SPEECHES MUST BE SEEN.
WHILE IN NO WAY INCLINED TO BEND AT ALL ON THE BASIC
ACCESS QUESTION, THE GNZ WANTS TOKYO TO RECEIVE A
LOUD AND CLEAR SIGNAL THAT THE DOOR REMAINS OPEN
SHOULD JAPAN WISH TO WALK THROUGH. SELDEN

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